



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
THE DRYLAND INTEGRATED DEVELOPMENT PROJECT
(OFFICE OF THE PRIME MINISTER)
FOR THE YEAR ENDED 30TH JUNE 2018

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

Acronym	Meaning
GoU	Government of Uganda
IDB	Islamic Development Bank
PIU	Project Implementation Unit
CHW	Community Health Workers
ISFD	Islamic Solidarity Fund for Development
OPM	Office of the Prime Minister
MPA	Millennium Promise Alliance
UGX	Uganda Shillings
WHT	Withholding Tax

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS THE
DRYLAND INTEGRATED DEVELOPMENT PROJECT
(OFFICE OF THE PRIME MINISTER)
FOR THE YEAR ENDED 30TH JUNE 2018**

THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying Project financial statements of the Dryland Integrated Development Project in Karamoja UG 0082-83 for the year ended 30th June 2018. These financial statements comprise of Project balance sheet as at the fiscal year end, statement of funds receipts and expenditures (SOE) incurred on the project for the year ended, statement of special account (SA) and reconciliation statement for the balance on the project bank accounts as at year end, accompanying notes and supplementary information.

In my opinion, the project financial statements present fairly in all material respects the state of the project's affairs for the year ended 30th June 2018 and expenditures reimbursed on the basis of statements of expenditures are eligible in accordance with the project guidelines and are reflected on the Project financial statements. The relevant statutory and other mandatory disclosures and accounting requirements as stipulated in the Financing Agreement have been met.

Basis for Opinion

I conducted the audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statement's section of my report. I am independent of project management in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in my audit of the financial statements of the current period. I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements;

- **Delayed Procurements**

I noted delays in the procurement processes of the Project particularly those that need a No objection from IDB. Procurements that were still pending by the time of the audit (September 2018) included Procurement of the Solar Mini Grid System at an amount of UGX.1,164,450,000 and Achorichor road at an amount of UGX.808,994,550. These procurements were initiated in 2015 and a request for a No Objection from IDB was submitted in August 2017. The road earmarked for this activity is critical to service delivery in the area.

Management agreed to address the challenge by closely following up with IDB.

I advised the Accounting Officer to ensure that these procurements are fast tracked to achieve the project objectives.

- **Delayed completion of a dormitory block at Nadunget Primary school**

Construction of a school dormitory block at Nadunget primary school in Moroto district was contracted at a cost of UGX.291,086,324. The contract signed on the 4th of April 2017 provided that the construction was to be completed in six months. During my field verification exercise in September 2018, I observed that the dormitory block meant to have been completed a year earlier was incomplete.

Management promised to follow up with the contractor and ensure that work is completed within the extended time.

I advised the Accounting Officer to follow up and ensure that the structure is completed and handed over to the beneficiaries.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises the statement of responsibilities of the Accounting Officer and the commentaries by the Head of Accounts and the Accounting Officer, and other supplementary information. The other information does not include the financial statements and my auditors' report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Project Management's Responsibility

Office of the Prime Minister (OPM) management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of IDB and the project agreement. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, management is responsible for addressing the projects ability to achieve its core objectives, disclosing as much as applicable, matters related to achievement of its objectives unless management either intends to close the project or to cease operations or have no realistic alternative but to do so.

Management is responsible for overseeing the Projects financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAI's, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Project to fail to deliver on its mandate.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Management, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A handwritten signature in black ink, appearing to read 'John F.S. Muwanga', with a long horizontal flourish extending to the right.

John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

16th October, 2018

**REPORT OF THE AUDITOR GENERAL ON THE PROJECT STATEMENTS OF
EXPENDITURE (SOE) FOR THE YEAR ENDED 30TH JUNE 2018**

Opinion

I have audited the consolidated statements of expenditure (SOE) for the Dryland Integrated Development Project in Karamoja UG 0082-83. The statement of expenditure comprise of the expenditures for all the funds received and expensed by the project for the year ended 30th June 2018.

In my opinion, the expenditures reimbursed on the basis of statements of expenditures are eligible to Bank financing and Generally Accepted Accounting Principles, and the expenditures have been properly reflected on the PFS of Dryland Integrated Development Project in Karamoja for the year ended 30th June 2018.

Project Management's responsibility for the statement of expenditure

The Office of the Prime Minister (OPM) is responsible for the preparation and fair presentation of the statements of expenditure in accordance with the requirements of IDB and the project agreement. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud and error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing (ISAs) and the requirements of IDB. The standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.



John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

16th October, 2018

**REPORT OF THE AUDITOR GENERAL ON THE SPECIAL ACCOUNT (SA) OF THE
DRYLAND INTEGRATED DEVELOPMENT PROJECT IN KARAMOJA
FOR THE YEAR ENDED 30TH JUNE 2018**

Opinion

I have audited the Special Account (SA) for the Dryland Integrated Development Project in Karamoja UG 0082-83. The special account comprise of the funds received from IDB and ISFD, transfers to operational bank accounts and other direct payments to suppliers for the year ended 30th June 2018.

In my opinion, the Special Account (SA) has been kept in accordance with the terms of the financing agreement and in line with Generally Accepted Accounting Principles as at 30th June 2018.

Project Management's responsibility for the Special Account

The Office of the Prime Minister (OPM) is responsible for maintaining the operations on the special account held in the Central Bank, in accordance with the requirements of IDB and the Project Agreement. This responsibility includes designing, implementing and maintaining internal controls to ensure that only eligible expenditure is made from this account, preparation of reconciliation statements relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud and error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing ISAs and the requirements of IDB. The standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.



John F.S. Muwanga

AUDITOR GENERAL

16th October, 2018

REPORT OF THE AUDITOR GENERAL ON THE INTERNAL CONTROL STRUCTURE
FOR THE DRYLAND INTEGRATED DEVELOPMENT PROJECT IN KARAMOJA
FOR THE YEAR ENDED 30TH JUNE 2018

Opinion

I have audited the financial statements of the Dryland Integrated Project in Karamoja UG 0082-83 and reviewed the internal control procedures relevant to generation of accounting information presented in the financial statements, and those relevant to control over programme finances and the safeguard of its assets. I obtained all the information and explanation I considered necessary for the audit.

In my opinion, the project management maintained an adequate internal control system for the preparation of reliable financial statements, control over finances and safeguard of the programme assets during the year ended 30th June 2018.

Management Responsibility

Management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgment are required to assess the expected benefits and related costs of internal control structure policies and procedures.

Auditor's Responsibility

My examination was made in accordance with ISAs and accordingly included such tests of the accounting records, verification of assets and liabilities and such other auditing procedures I considered necessary in the circumstances.

For the purpose of this report, I have classified the significant internal control structure policies and procedures in the following Categories:-

- Control over preparation of withdrawal applications for funds from the project account
- Bank and cash purchases and payments,
- Monitoring, evaluation and reporting.

For all the internal control structure categories listed above, I obtained an understanding of the design of the relevant policies and procedures and whether they have been placed in operation and I assessed control risk.

A handwritten signature in black ink, appearing to read 'J. Muwanga', with a large, stylized flourish extending from the end.

John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

16th October, 2018

FINANCIAL STATEMENTS